



Peterson  
Allred  
Jackson

**NORTH LOGAN CITY**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2007**

**With Comparative Totals  
For June 30, 2006**

- Certified Public Accountants  
Business Consultants

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## **INTRODUCTORY SECTION**

CITY OF NORTH LOGAN

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(435) 752-1310  
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CARY WATKINS, MAYOR

JEFFREY M. JORGENSEN, P.E.  
CITY ADMINISTRATOR, RECORDER

September 4, 2007

North Logan City  
North Logan, Utah

Council:

It is with great pleasure that the financial statements for the North Logan City for the year ended June 30, 2007, are presented.

In addition to the fund financial information currently presented in the City's financial statements, this report includes government-wide financial statements. The government-wide financial statements include a Statement of Net Assets that provides the total net assets of the City including all capital assets (including infrastructure) and the Statement of Activities that shows the cost of providing government services.

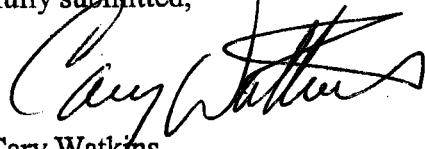
State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. These financial statements are hereby issued and submitted to you for the fiscal year ended June 30, 2007, in accordance with these requirements.

This report consists of management's representations concerning the finances of North Logan City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established an internal control framework that is designed to both protect the assets of the City from loss, theft, or misuse and to allow for the compiling of sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's internal control procedures have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects.

North Logan City's financial statements have been audited by Peterson Allred Jackson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of North Logan City for the fiscal year ended June 30, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that North Logan City's financial statements for the fiscal year ended June 30, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

I wish to express my appreciation to all members of the City who assisted and contributed to the preparation of this report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Cary Watkins", written over the printed name.

Mayor Cary Watkins  
North Logan City

**FINANCIAL SECTION**

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Peterson  
Allred  
Jackson

■ Certified Public Accountants  
Business Consultants

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
North Logan City  
North Logan, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the North Logan City, Utah (the City), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Major Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated September 4, 2007 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results for our audit.



Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The combining nonmajor fund statements and schedule of impact fees listed in the table of contents are presented for purposes of additional analysis of the financial statements of the City. Such information has been subjected to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The Management's Discussion and Analysis on pages 10-14, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Peterson Allred Jackson  
September 4, 2007

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of North Logan City we offer readers of North Logan City's financial statements this narrative overview and analysis of our financial activities for the fiscal year ended June 30, 2007.

### FINANCIAL HIGHLIGHTS

- General unreserved fund balance was 19% of estimated general fund revenue as of 6/30/07 (State of Utah requires between 5% and 18%).
- The total net assets of North Logan City increased 5.5% to \$15,952,313.
- The total net assets of \$15,952,313 are made up of \$13,297,347 in capital assets net of related debt and \$2,654,966 in other net assets.
- In the General Fund, revenues were more than expenditures by \$344,062 before other financing sources and uses.
- Total long-term liabilities of the City were reduced by \$434,610.
- Business-type activities' total net assets increased \$499,719.

### REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to North Logan City's basic financial statements, consisting of the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

**The government-wide financial statements** are designed to provide readers with a broad overview of North Logan City's finances in a manner similar to a private-sector business.

- The statement of net assets presents information on all of North Logan City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of North Logan City is improving or deteriorating. However, you will also need to consider other nonfinancial factors.
- The statement of activities presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of North Logan City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 16 & 17 of this report.

## REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. North Logan City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- Governmental funds – These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on the way money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed, short-term view of the City's general government operations and the basic services provided. Governmental fund information helps users determine whether there are more or fewer financial resources available to spend in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental funds (as determined by generally accepted accounting principles) are the General Fund and the Library Special Revenue Fund. The rest of the governmental funds are determined to be nonmajor and are included in the combining statements within this report.

- Proprietary funds – North Logan City maintains one type of proprietary fund (enterprise funds), which reports the same functions presented as business-type activities in the government-wide financial statements. North Logan City uses enterprise funds to account for its Water Utility, Sewer Utility, and Storm Water Utility.

As determined by generally accepted accounting principles, the Water Utility and Sewer Utility funds meet the criteria of major fund classification. The rest of the proprietary funds are determined to be nonmajor and are included in the combining statements within this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of North Logan City, assets exceed liabilities by \$15,952,313.

By far the largest portion of North Logan City's net assets (83%) reflects its investment in capital assets (i.e., land, buildings, infrastructure, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

# STATEMENT OF NET ASSETS

	Governmental Activities		Business-type Activities	
	2007	2006	2007	2006
Current and other assets	\$ 2,569,465	\$ 1,973,869	\$ 1,493,129	\$ 1,429,062
Capital assets	8,860,886	9,110,469	8,668,349	8,429,849
Total assets	11,430,351	11,084,338	10,161,478	9,858,911
Long-term debt outstanding	1,488,841	1,752,471	2,743,047	2,914,027
Other liabilities	1,267,756	994,307	139,872	166,044
Total liabilities	2,756,597	2,746,778	2,882,919	3,080,071
Net assets:				
Invested in capital assets, net of debt	7,372,045	7,357,998	5,925,302	5,515,822
Restricted	357,157	511,664	611,913	408,222
Unrestricted	944,552	467,898	741,344	854,796
Total net assets	\$ 8,673,754	\$ 8,337,560	\$ 7,278,559	\$ 6,778,840

# CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities	
	2007	2006	2007	2006
Revenues:				
Program revenues:				
Charges for services	\$ 1,511,686	\$ 1,409,949	\$ 1,554,120	\$ 1,365,638
Dedicated property tax	366,725	279,403	32,911	32,911
Operating grants & contributions	147,145	137,334	-	-
Capital grants & contributions	583,783	783,047	328,683	343,917
General revenues:				
Property taxes	426,650	390,573	-	-
Other taxes	2,091,263	1,827,792	-	-
Investment income	66,027	8,261	67,005	56,904
Other revenues	269,049	19,826	-	-
Total revenues	5,462,328	4,856,185	1,982,719	1,799,370
Expenses:				
General government	638,899	564,804	-	-
Public Safety	1,402,536	1,364,662	-	-
Streets	1,153,900	921,112	-	-
Sanitation	595,695	480,148	-	-
Parks & recreation	1,150,283	460,091	-	-
Community development	184,821	182,284	-	-
Water	-	-	730,573	637,908
Sewer	-	-	677,406	670,573
Storm water	-	-	75,021	52,067
Total expenses	5,126,134	3,973,101	1,483,000	1,360,548
Increase (decrease) in net assets	336,194	883,084	499,719	438,822
Net assets, beginning	8,337,560	7,454,476	6,778,840	6,340,018
Net assets, ending	\$ 8,673,754	\$ 8,337,560	\$ 7,278,559	\$ 6,778,840

## **FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

As of June 30, 2007, the City's governmental funds (General, Special Revenue, and Capital Projects) reported combined fund balances of \$1,409,544. This represents an increase of \$324,166 (30%) over last year's ending balances.

The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to match revenues and expenses are accounted for in this fund.

Taxes are the largest source of revenue in the General Fund and represent 51% of total general fund revenues. The largest element is sales taxes, which represent 82% of total tax revenues and 42% of total General Fund revenues. This compares with 43% in the prior fiscal year ended June 30, 2006.

As stated earlier, the City maintains three enterprise funds to account for its business-type activities. The separate fund statements included in this report provide the same information for business-type activities (but in much more detail) as is provided in the government-wide financial statements.

Significant changes in the governmental funds include a decrease of long-term debt of \$263,630 due to bond and lease principal payments.

Significant changes in business-type activities include a decrease in long-term debt of \$170,980 due to bond principal payments.

### **GENERAL AND LIBRARY FUND BUDGETARY HIGHLIGHTS**

The General Fund original budget for expenditures was \$4,248,391, which was increased 14% to \$4,849,041 to purchase park land and replace public safety and street vehicles.

The Library Fund original budget for expenditures was \$521,822, which was increased 1.7% to \$530,936 to cover increased attendance at special programs.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital assets – North Logan City's investment in capital assets (net of accumulated depreciation) as of June 30, 2007, amounts to \$17,529,235. This includes land, buildings, improvements, infrastructure (streets, sidewalks, etc), and equipment. The total decrease in the City's investment in fixed assets was less than 1% due to capital additions noted below being less than depreciation as described in Note 10 to the financial statements.

Major capital asset events during the current fiscal year included the following:

- \$59,507 for sewer system improvements.
- \$396,652 for additional land.
- \$355,133 for construction of roads and sidewalks.
- \$93,347 for water system improvements.
- \$128,459 for new storage buildings.
- \$324,725 for replacement of vehicles

#### NORTH LOGAN CITY'S CAPITAL ASSETS

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Land & water shares	\$ 2,158,081	\$ 327,310
Buildings and equipment	5,278,902	841,216
Systems	10,965,340	12,369,037
Less: Accumulated depreciation	<u>(9,541,437)</u>	<u>(4,869,214)</u>
Total	<u>\$ 8,860,886</u>	<u>\$ 8,668,349</u>

In June 2007, 2500 North was traded to the State of Utah in exchange for 800 East. This exchange (along with the removal of previously recognized State and private PUD streets) decreased capitalized road costs of \$1,898,154 along with \$1,722,108 of accumulated depreciation for a net decrease of \$176,046.

Additional information on the City's capital assets can be found in the footnotes to this financial report.

Long-term debt – At June 30, 2007, the City had total bonded debt outstanding of \$4,231,888. Of this amount \$3,656,614 is considered to be general obligation debt and backed by the full faith and credit of the City. The remainder of \$575,274 is debt which is secured solely by specific revenue sources (i.e., revenue bonds).

#### NORTH LOGAN CITY'S OUTSTANDING DEBT

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
General obligation bonds- water, sewer, library, and roads	\$ 1,435,000	\$ 2,221,614
Revenue bonds		<u>575,274</u>
Total outstanding debt	<u>\$ 1,435,000</u>	<u>\$ 2,796,888</u>

The City's bonded debt decreased by \$434,610 during the fiscal year.

Additional information on the outstanding debt obligations of the City can be found in the footnotes to this report.

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**NORTH LOGAN CITY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**  
**With Comparative Totals for June 30, 2006**

	Governmental Activities	Business-type Activities	Memorandum Totals	
			2007	2006
<b>ASSETS</b>				
Current Assets:				
Cash & Cash equivalents	\$ 833,501	\$ 698,465	\$ 1,531,966	\$ 1,251,513
Account receivable, net	1,282,530	161,474	1,444,004	1,161,108
Prepaid expense	26,534	-	26,534	8,920
Total current assets	2,142,565	859,939	3,002,504	2,421,541
Noncurrent assets:				
Deferred issue cost	10,340	21,277	31,617	34,492
Restricted assets:				
Cash	416,560	611,913	1,028,473	893,250
Accounts receivable	-	-	-	53,648
Capital assets:				
Land and water shares	2,158,081	327,310	2,485,391	2,336,821
Distribution and collection systems	10,965,340	12,369,037	23,334,377	24,724,544
Buildings and equipment	5,278,902	841,216	6,120,118	5,616,172
Less: Accumulated Depreciation	(9,541,437)	(4,869,214)	(14,410,651)	(15,137,219)
Total noncurrent assets	9,287,786	9,301,539	18,589,325	18,521,708
Total assets	11,430,351	10,161,478	21,591,829	20,943,249
<b>LIABILITIES</b>				
Current liabilities:				
Cash allocation	-	19,259	19,259	52,067
Accounts payable	249,569	105,598	355,167	215,863
Accrued expense	102,068	-	102,068	45,043
Deposits	10,643	-	10,643	10,895
Accrued interest payable	-	15,015	15,015	15,859
Bonds/leases payable within one year	278,841	181,127	459,968	440,034
Total current liabilities	641,121	320,999	962,120	779,761
Noncurrent liabilities:				
Bonds payable	1,210,000	2,561,920	3,771,920	4,175,162
Leases payable	-	-	-	51,302
Accrued compensated absences	118,175	-	118,175	117,096
Deferred revenue	787,301	-	787,301	703,528
Total noncurrent liabilities	2,115,476	2,561,920	4,677,396	5,047,088
Total liabilities	2,756,597	2,882,919	5,639,516	5,826,849
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	7,372,045	5,925,302	13,297,347	12,873,820
Restricted for:				
Debt service	-	420,595	420,595	394,899
Impact fees	177,426	191,318	368,744	286,634
Class C roads	-	-	-	53,648
Library debt service	166,160	-	166,160	157,844
Equestrian Park	1,113	-	1,113	5,634
Little League	3,397	-	3,397	-
State liquor funds	9,061	-	9,061	21,227
Unrestricted	944,552	741,344	1,685,896	1,322,694
Total Net Assets	\$ 8,673,754	\$ 7,278,559	\$ 15,952,313	\$ 15,116,400

The notes to the financial statements are an integral part of this statement.



**NORTH LOGAN CITY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2007**  
**With Comparative Totals for June 30, 2006**

	Program Revenues						Business Type Activities	Memorandum Totals	
	Expenses	Charges for Services	Dedicated Property Tax	Operating Grants & Contributions	Capital Grants & Contributions	Net Governmental Activities		2007	2006
Governmental activities:									
General government	\$ 638,899	\$ 258,429	\$ -	\$ 330	\$ -	\$ (380,140)	\$ -	\$ (380,140)	\$ (342,266)
Public Safety	1,402,536	609,458	-	23,756	40,578	(728,744)	-	(728,744)	(532,297)
Streets	1,153,900	1,591	-	-	384,073	(768,236)	-	(768,236)	(487,556)
Sanitation	595,695	614,835	-	-	-	19,140	-	19,140	22,108
Parks and recreation	1,150,283	27,373	366,725	123,059	159,132	(473,994)	-	(473,994)	158,927
Community development	184,821	-	-	-	-	(184,821)	-	(184,821)	(182,284)
Total governmental activities	5,126,134	1,511,686	366,725	147,145	583,783	(2,516,795)	-	(2,516,795)	(1,363,368)
Business-type activities:									
Water	730,573	858,211	-	-	226,586	-	354,224	354,224	420,550
Sewer	677,406	575,504	32,911	-	102,097	-	33,106	33,106	13,435
Storm water	75,021	120,405	-	-	-	-	45,384	45,384	(52,067)
Total business-type activities	1,483,000	1,554,120	32,911	-	328,683	-	432,714	432,714	381,918
General Revenues:									
Taxes:									
Property taxes levied for general purposes						426,650	-	426,650	390,573
Franchise taxes						14,752	-	14,752	11,736
General sales taxes & highway sales taxes						2,076,511	-	2,076,511	1,816,056
Business licenses						10,508	-	10,508	9,826
Sale of fixed assets						258,541	-	258,541	10,000
Investment income						66,027	67,005	133,032	65,165
Total general revenues						2,852,989	67,005	2,919,994	2,303,356
Change in net assets						336,194	499,719	835,913	1,321,906
Net assets - beginning						8,337,560	6,778,840	15,116,400	13,794,494
Net assets - ending						\$ 8,673,754	\$ 7,278,559	\$ 15,952,313	\$ 15,116,400

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY**  
**GOVERNMENTAL FUNDS TYPE**  
**BALANCE SHEET**  
**JUNE 30, 2007**  
**With Comparative Totals for June 30, 2006**

	General	Library	Nonmajor Governmental Funds	Memorandum Totals Governmental Funds	
				2007	2006
<b>ASSETS</b>					
Cash & cash equivalents	\$ 731,063	\$ 102,438	\$ -	\$ 833,501	\$ 402,158
Accounts receivable, net	1,282,530	-	-	1,282,530	1,012,835
Prepaid expense	26,534	-	-	26,534	8,920
Restricted cash	190,997	166,160	59,403	416,560	485,028
Restricted accounts receivable	-	-	-	-	53,648
<b>Total assets</b>	<b>\$ 2,231,124</b>	<b>\$ 268,598</b>	<b>\$ 59,403</b>	<b>\$ 2,559,125</b>	<b>\$ 1,962,589</b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>Liabilities:</b>					
Cash allocation	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	230,421	19,148	-	249,569	117,745
Accrued expenses	96,288	5,780	-	102,068	45,043
Deposits	10,643	-	-	10,643	10,895
Deferred revenue	787,301	-	-	787,301	703,528
<b>Total liabilities</b>	<b>1,124,653</b>	<b>24,928</b>	<b>-</b>	<b>1,149,581</b>	<b>877,211</b>
<b>Fund Balance:</b>					
<b>Reserved for:</b>					
Park impact	52,873	-	-	52,873	153,508
Road impact	124,553	-	-	124,553	119,803
Class C roads	-	-	-	-	53,648
Library debt service	-	166,160	-	166,160	157,844
Equestrian Park	1,113	-	-	1,113	5,634
Little League	3,397	-	-	3,397	-
State liquor funds	9,061	-	-	9,061	21,227
<b>Unreserved:</b>					
General fund	915,474	-	-	915,474	494,548
Special revenue funds	-	77,510	-	77,510	52,154
Capital projects funds	-	-	59,403	59,403	27,012
<b>Total fund balances</b>	<b>1,106,471</b>	<b>243,670</b>	<b>59,403</b>	<b>1,409,544</b>	<b>1,085,378</b>
<b>Total liabilities and fund balance</b>	<b>\$ 2,231,124</b>	<b>\$ 268,598</b>	<b>\$ 59,403</b>		

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources so they are not reported in the funds.

The cost of these assets is \$18,402,323 and \$19,647,181, respectively and the accumulated depreciation is \$9,541,437 and \$10,536,712, respectively.

8,860,886 9,110,469

Long-term liabilities, including bonds payable and capital leases and accrued compensated absences, are not payable in the current period, so are not reported in the funds.

(1,596,676) (1,858,287)

Total net assets-governmental activities

\$ 8,673,754 \$ 8,337,560

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY  
GOVERNMENTAL FUNDS TYPE  
STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2007  
With Comparative Totals for June 30, 2006**

	General	Library	Nonmajor Governmental Funds	Memorandum Totals Governmental Funds	
				2007	2006
<b>Revenues:</b>					
Taxes	\$ 2,517,913	\$ 366,725	\$ -	\$ 2,884,638	\$ 2,570,757
Licenses and permits	307,760	-	-	307,760	331,294
Intergovernmental revenue	402,531	5,236	-	407,767	447,220
Charges for services	1,154,860	-	-	1,154,860	1,123,363
Fines	253,833	9,665	-	263,498	211,798
Other	51,379	125,498	8,387	185,264	161,753
<b>Total revenues</b>	<b>4,688,276</b>	<b>507,124</b>	<b>8,387</b>	<b>5,203,787</b>	<b>4,846,185</b>
<b>Expenditures:</b>					
Current operations:					
General government	598,637	-	39,907	638,544	574,851
Public safety	1,426,306	-	48,572	1,474,878	1,425,878
Streets	692,564	-	177,017	869,581	572,197
Sanitation	595,695	-	-	595,695	480,148
Parks and recreation	709,367	373,174	-	1,082,541	714,963
Community development	184,428	-	-	184,428	175,734
Debt service:					
Principal	125,000	90,000	-	215,000	200,000
Interest	12,217	65,278	-	77,495	86,529
<b>Total expenditures</b>	<b>4,344,214</b>	<b>528,452</b>	<b>265,496</b>	<b>5,138,162</b>	<b>4,230,300</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>344,062</b>	<b>(21,328)</b>	<b>(257,109)</b>	<b>65,625</b>	<b>615,885</b>
<b>Other financing sources (uses):</b>					
Sale of capital assets	258,541	-	-	258,541	10,000
Transfers in (out)	(344,500)	55,000	289,500	-	-
<b>Total other financing sources</b>	<b>(85,959)</b>	<b>55,000</b>	<b>289,500</b>	<b>258,541</b>	<b>10,000</b>
<b>Net change in fund balances</b>	<b>258,103</b>	<b>33,672</b>	<b>32,391</b>	<b>324,166</b>	<b>625,885</b>
<b>Fund balances, beginning of year</b>	<b>848,368</b>	<b>209,998</b>	<b>27,012</b>	<b>1,085,378</b>	<b>459,493</b>
<b>Fund balances, end of year</b>	<b>\$ 1,106,471</b>	<b>\$ 243,670</b>	<b>\$ 59,403</b>	<b>\$ 1,409,544</b>	<b>\$ 1,085,378</b>

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2007**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances-total governmental funds	\$ 324,166
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Purchases of fixed assets	1,012,009	
Loss on disposal of assets	(492,098)	
Depreciation expense	(769,494)	(249,583)

Governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	215,000	
Repayment of capital lease principal	48,630	
Change in accrued compensated absences	(1,079)	
Amortization of bond issuance costs	(940)	261,611

Change in net assets of governmental activities	\$ 336,194
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**NORTH LOGAN CITY**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2007**

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL	POSITIVE (NEGATIVE)
GENERAL FUND REVENUES				
Taxes:				
General property taxes-current	\$ 374,962	\$ 302,106	\$ 320,223	\$ 18,117
Prior years' taxes-delinquent	25,000	14,000	13,924	(76)
General sales & use taxes	1,935,000	1,973,577	2,076,511	102,934
Franchise taxes	12,000	15,000	14,752	(248)
Fee-in-lieu of property taxes	89,986	96,548	92,503	(4,045)
Total taxes	2,436,948	2,401,231	2,517,913	116,682
Licenses & permits:				
Business licenses & permits	7,500	9,500	10,508	1,008
Building structures & equipment	255,000	290,000	290,859	859
Animal licenses	5,700	6,300	6,393	93
Total licenses & permits	268,200	305,800	307,760	1,960
Intergovernmental revenues:				
Public safety	6,000	109,723	115,020	5,297
State and other governmental grants	6,700	7,130	6,417	(713)
Class "C" road fund allotment	250,000	300,000	281,094	(18,906)
Total intergovernmental revenues	262,700	416,853	402,531	(14,322)
Charges for services:				
Zoning & subdivision fees	313,200	272,200	270,204	(1,996)
Sale of maps & publications	2,800	100	-	(100)
Public safety	252,695	254,944	257,396	2,452
Refuse collection charges	570,000	622,000	614,835	(7,165)
Parks and public property	11,100	12,200	12,425	225
Total charges for services	1,149,795	1,161,444	1,154,860	(6,584)
Fines & forfeitures:				
Fines	183,000	231,000	252,675	21,675
Forfeitures	2,000	1,100	1,158	58
Total fines & forfeitures	185,000	232,100	253,833	21,733
Miscellaneous revenue:				
Interest earnings	13,795	28,395	39,569	11,174
Rents & concessions	15,000	11,900	10,810	(1,090)
Sale of materials & supplies	100,000	258,541	258,541	-
Total Miscellaneous revenue	128,795	298,836	308,920	10,084
Contributions & transfers:				
Transfer from other funds	-	-	-	-
Contribution from private sources	-	1,000	1,000	-
Total contributions & transfers	-	1,000	1,000	-
Total Revenues	\$ 4,431,438	\$ 4,817,264	\$ 4,946,817	\$ 129,553

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**(CONTINUED)**  
**YEAR ENDED JUNE 30, 2007**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
<b>GENERAL FUND EXPENDITURES</b>	<u>ORIGINAL</u>	<u>FINAL</u>		
General government:				
Legislative	\$ 73,887	\$ 77,987	\$ 74,233	\$ 3,754
Judicial	157,025	186,504	164,772	21,732
Executive	88,670	88,881	85,665	3,216
Administrative	110,838	118,159	110,934	7,225
Non-departmental	140,557	157,545	155,657	1,888
Planning & zoning	15,160	11,660	7,376	4,284
Total general government	586,137	640,736	598,637	42,099
Public Safety:				
Police department	775,483	790,633	777,772	12,861
Fire department	315,432	367,161	360,322	6,839
Protective inspection	243,045	247,682	240,138	7,544
Animal control	52,691	53,294	48,074	5,220
Total Public Safety	1,386,651	1,458,770	1,426,306	32,464
Streets & public improvements:				
Streets	453,977	728,915	692,564	36,351
Sanitation	542,000	592,000	595,695	(3,695)
Total streets & improvements	995,977	1,320,915	1,288,259	32,656
Parks, Recreation & Public Property:				
Park & park areas	456,070	622,649	599,704	22,945
Recreation & culture	41,857	42,941	38,361	4,580
Cemetery	53,100	70,900	71,302	(402)
Total parks, recreation & public property	551,027	736,490	709,367	27,123
Community & economic development:				
Community planning	148,049	210,580	184,428	26,152
Debt service:				
Debt service	137,050	137,050	137,217	(167)
Transfers & other uses:				
Transfer to other funds	443,500	344,500	344,500	-
Total transfers & other uses	443,500	344,500	344,500	-
<b>TOTAL EXPENDITURES</b>	<b>4,248,391</b>	<b>4,849,041</b>	<b>4,688,714</b>	<b>160,327</b>
Net change in fund balance	183,047	(31,777)	258,103	289,880
Fund balance at beginning of year	848,368	848,368	848,368	-
Fund balance at end of year	\$ 1,031,415	\$ 816,591	\$ 1,106,471	\$ 289,880

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY  
LIBRARY FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2007**

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
LIBRARY FUND REVENUES				
Dedicated property taxes	\$ 369,210	\$ 348,522	\$ 366,725	\$ 18,203
Intergovernmental revenue	4,000	5,236	5,236	-
Fines	6,500	8,600	9,665	1,065
Other	<u>124,500</u>	<u>143,048</u>	<u>125,498</u>	<u>(17,550)</u>
Total Revenues	<u>504,210</u>	<u>505,406</u>	<u>507,124</u>	<u>1,718</u>
Transfers				
Transfer from other funds	<u>55,000</u>	<u>55,000</u>	<u>55,000</u>	<u>-</u>
Total Transfers	<u>55,000</u>	<u>55,000</u>	<u>55,000</u>	<u>-</u>
Total Revenues and Transfers	559,210	560,406	562,124	1,718
LIBRARY FUND EXPENDITURES				
General operations	366,542	375,656	373,174	2,482
Debt service principal	90,000	90,000	90,000	-
Debt service interest	<u>65,280</u>	<u>65,280</u>	<u>65,278</u>	<u>2</u>
Total Expenditures	<u>521,822</u>	<u>530,936</u>	<u>528,452</u>	<u>2,484</u>
Net change in fund balance	37,388	29,470	33,672	4,202
Fund balance at beginning of year	<u>209,998</u>	<u>209,998</u>	<u>209,998</u>	<u>-</u>
Fund balance at end of year	<u>\$ 247,386</u>	<u>\$ 239,468</u>	<u>\$ 243,670</u>	<u>\$ 4,202</u>

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2007**  
**With Comparative Totals for June 30, 2006**

	<u>WATER</u>	<u>SEWER</u>	<u>NON MAJOR PROPRIETARY</u>	<u>MEMORANDUM TOTALS</u>	
				<u>2007</u>	<u>2006</u>
<b>ASSETS</b>					
Current assets:					
Cash & cash equivalents	\$ 518,933	\$ 179,532	\$ -	\$ 698,465	\$ 849,355
Accounts receivable, net	<u>93,053</u>	<u>54,007</u>	<u>14,414</u>	<u>161,474</u>	<u>148,273</u>
Total current assets	<u>611,986</u>	<u>233,539</u>	<u>14,414</u>	<u>859,939</u>	<u>997,628</u>
Noncurrent assets:					
Deferred issue cost	21,277	-	-	21,277	23,212
Restricted cash	<u>430,406</u>	<u>181,507</u>	<u>-</u>	<u>611,913</u>	<u>408,222</u>
Capital assets					
Land & water shares	326,460	850	-	327,310	27,310
Distribution and collection systems	7,681,598	4,687,439	-	12,369,037	12,216,183
Buildings and equipment	577,073	264,143	-	841,216	786,863
Less accumulated depreciation	<u>(2,813,999)</u>	<u>(2,055,215)</u>	<u>-</u>	<u>(4,869,214)</u>	<u>(4,600,507)</u>
Total noncurrent assets	<u>6,222,815</u>	<u>3,078,724</u>	<u>-</u>	<u>9,301,539</u>	<u>8,861,283</u>
<b>TOTAL ASSETS</b>	<u>6,834,801</u>	<u>3,312,263</u>	<u>14,414</u>	<u>10,161,478</u>	<u>9,858,911</u>
<b>LIABILITIES</b>					
Current liabilities:					
Cash allocation	-	-	19,259	19,259	52,067
Accounts payable	34,550	69,210	1,838	105,598	98,118
Accrued interest payable	6,946	8,069	-	15,015	15,859
Bonds payable - due within a year	<u>135,000</u>	<u>46,127</u>	<u>-</u>	<u>181,127</u>	<u>173,865</u>
Total current liabilities	<u>176,496</u>	<u>123,406</u>	<u>21,097</u>	<u>320,999</u>	<u>339,909</u>
Noncurrent liabilities:					
Bonds payable - due in more than one year	<u>1,710,000</u>	<u>851,920</u>	<u>-</u>	<u>2,561,920</u>	<u>2,740,162</u>
Total noncurrent liabilities	<u>1,710,000</u>	<u>851,920</u>	<u>-</u>	<u>2,561,920</u>	<u>2,740,162</u>
Total liabilities	<u>1,886,496</u>	<u>975,326</u>	<u>21,097</u>	<u>2,882,919</u>	<u>3,080,071</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	3,926,132	1,999,170	-	5,925,302	5,515,822
Restricted for debt service	282,891	137,704	-	420,595	394,899
Restricted for impact fees	147,515	43,803	-	191,318	13,323
Unrestricted	<u>591,767</u>	<u>156,260</u>	<u>(6,683)</u>	<u>741,344</u>	<u>854,796</u>
Total net assets	<u>\$ 4,948,305</u>	<u>\$ 2,336,937</u>	<u>\$ (6,683)</u>	<u>\$ 7,278,559</u>	<u>\$ 6,778,840</u>

The notes to the financial statements are an integral part of this statement.



**NORTH LOGAN CITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2007**

With Comparative Totals for June 30, 2006

	WATER	SEWER	NON MAJOR PROPRIETARY	MEMORANDUM TOTALS	
				2007	2006
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 855,043	\$ 575,504	\$ 120,405	\$ 1,550,952	\$ 1,362,607
Impact fees	226,586	102,097	-	328,683	343,917
Other	3,168	-	-	3,168	3,031
<b>Total operating revenues</b>	<b>1,084,797</b>	<b>677,601</b>	<b>120,405</b>	<b>1,882,803</b>	<b>1,709,555</b>
<b>OPERATING EXPENSES</b>					
Wages and benefits	112,101	57,537	7,492	177,130	176,062
Professional fees	7,333	1,200	7,255	15,788	5,414
Disposal and treatment	-	408,457	-	408,457	408,203
Utilities	85,590	-	-	85,590	43,303
Repairs and maintenance	130,241	10,077	5,935	146,253	88,060
Other	75,778	43,632	43,551	162,961	145,011
Facilities	49,837	12,683	8,467	70,987	70,020
Depreciation/amortization	176,311	94,331	-	270,642	276,703
<b>Total operating expenses</b>	<b>637,191</b>	<b>627,917</b>	<b>72,700</b>	<b>1,337,808</b>	<b>1,212,776</b>
<b>Operating income (loss)</b>	<b>447,606</b>	<b>49,684</b>	<b>47,705</b>	<b>544,995</b>	<b>496,779</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest income	49,635	17,370	-	67,005	56,904
Miscellaneous expense	(5,144)	-	-	(5,144)	(3,118)
Interest expense	(88,238)	(49,489)	(2,321)	(140,048)	(139,343)
Property tax	-	32,911	-	32,911	32,911
Loss on sale of fixed assets	-	-	-	-	(5,311)
<b>Total non-operating revenue (expense)</b>	<b>(43,747)</b>	<b>792</b>	<b>(2,321)</b>	<b>(45,276)</b>	<b>(57,957)</b>
<b>Change in net assets</b>	<b>403,859</b>	<b>50,476</b>	<b>45,384</b>	<b>499,719</b>	<b>438,822</b>
<b>Total net assets - beginning</b>	<b>4,544,446</b>	<b>2,286,461</b>	<b>(52,067)</b>	<b>6,778,840</b>	<b>6,340,018</b>
<b>Total net assets -ending</b>	<b>\$ 4,948,305</b>	<b>\$ 2,336,937</b>	<b>\$ (6,683)</b>	<b>\$ 7,278,559</b>	<b>\$ 6,778,840</b>

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2007  
With Comparative Totals for June 30, 2006**

	<u>WATER</u>	<u>SEWER</u>	<u>NON MAJOR PROPRIETARY</u>	<u>MEMORANDUM TOTALS</u>	
				<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 1,087,473	\$ 676,138	\$ 105,991	\$ 1,869,602	\$ 1,666,930
Payments to suppliers	(353,052)	(472,122)	(70,862)	(896,036)	(1,005,010)
Payments to employees	(112,101)	(57,537)	-	(169,638)	(109,540)
Net cash provided by operating activities	<u>622,320</u>	<u>146,479</u>	<u>35,129</u>	<u>803,928</u>	<u>552,380</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Dedicated property tax	-	32,911	-	32,911	32,911
Principal paid on capital debt	(130,000)	(40,980)	-	(170,980)	(169,826)
Interest paid on capital debt	(88,238)	(49,489)	(2,321)	(140,048)	(139,343)
Purchases of capital assets	(444,700)	(62,507)	-	(507,207)	(829,427)
Capital contributions	-	-	-	-	-
Net cash used by capital and related financing activities	<u>(662,938)</u>	<u>(120,065)</u>	<u>(2,321)</u>	<u>(785,324)</u>	<u>(1,105,685)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	<u>49,635</u>	<u>17,370</u>	<u>-</u>	<u>67,005</u>	<u>56,904</u>
Net cash provided by investing activities	<u>49,635</u>	<u>17,370</u>	<u>-</u>	<u>67,005</u>	<u>56,904</u>
Net increase (decrease) in cash and cash equivalents	<u>9,017</u>	<u>43,784</u>	<u>32,808</u>	<u>85,609</u>	<u>(496,401)</u>
Cash and equivalents at beginning of year	<u>940,322</u>	<u>317,255</u>	<u>(52,067)</u>	<u>1,205,510</u>	<u>1,701,911</u>
Cash and equivalents at end of year	<u>\$ 949,339</u>	<u>\$ 361,039</u>	<u>\$ (19,259)</u>	<u>\$ 1,291,119</u>	<u>\$ 1,205,510</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 447,606	\$ 49,684	\$ 47,705	544,995	496,779
Adjustments to reconcile net income from operations to net cash provided by operating activities:					
Depreciation/amortization	176,311	94,331	-	270,642	276,703
Changes in assets & liabilities:					
Decrease (increase) in receivables	2,676	(1,463)	(14,414)	(13,201)	(42,625)
Increase (decrease) in accruals	871	3,927	1,838	6,636	(175,359)
Miscellaneous expense	(5,144)	-	-	(5,144)	(3,118)
Total adjustments	<u>174,714</u>	<u>96,795</u>	<u>(12,576)</u>	<u>258,933</u>	<u>55,601</u>
Net cash provided (used) by operating activities:	<u>\$ 622,320</u>	<u>\$ 146,479</u>	<u>\$ 35,129</u>	<u>\$ 803,928</u>	<u>\$ 552,380</u>

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**Note 1: Structure**

North Logan City was incorporated in 1934 as a political subdivision of the State of Utah. The City is a fifth class city operating under the traditional form of government (i.e., a Governing Body consisting of a Mayor and five Council Members, with the Mayor voting only to break a tie). The Mayor appoints the Planning Commission, Library Board, and other committees with the consent of the City Council.

The justice court is located in Hyde Park. The same judge presides in both courts and Bailiffs are provided by the North Park Police Department. They are paid by Hyde Park City, with North Logan's share being billed monthly. Police services are provided by North Logan, with Hyde Park paying their share monthly based on an agreed formula.

Solid waste collection is provided by the Cache County Service Area. North Logan is billed monthly for this service and the county dispatch fee, which North Logan then bills to utility customers. Sewage treatment is provided by Logan City and is billed to North Logan monthly based on flow. In addition, pretreatment charges are billed to businesses after the Logan City bill is received.

Library service is funded primarily by a dedicated property tax. State law requires that a Library Board set operational policies and recommend the budget when a dedicated property tax is used. The Friends of the Library was set up as a separate organization to raise additional funds and find grants to supplement the dedicated property tax. The Friends write checks to give funds to the City for library use. The Thorne Endowment provides approximately \$70,000 per year to allow Hyde Park children to use the North Logan Library. Another \$10,000 per year is paid by donations to allow Hyde Park adults to also use the library.

Water, sewer, and storm water services are provided by enterprise funds.

A volunteer fire department provides fire and first responder services.

Facilities maintenance for all public buildings is allocated to other departments monthly based on square footage occupied. Parks, storm drain cleaning, and water treatment plant maintenance are also done by facilities department employees, but are tracked separately.

The streets department handles street maintenance, sweeping, and snow plowing.

A staff planner provides input to the Planning Commission and handles economic development.

Protective Inspection performs plan reviews, building inspections, and engineering.

A part-time recreation director coordinates recreational programs and events sponsored by the City.

The city office staff handles accounting, utility billing, and clerical functions.

## **Note 2: Summary of significant accounting policies**

North Logan City complies with accounting principles generally accepted in the United States of America applicable to governmental units (US GAAP). We apply all relevant Governmental Accounting Standards Board (GASB) pronouncements. Enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before 30 November 1989, unless those pronouncements conflict with or contradict GASB pronouncements, which take precedence.

The financial statements of the City consist only of the funds of the City. The City established a Redevelopment Agency (RDA) pursuant to Utah Code and designated the Mayor and the City Council as the RDA board. No property taxes have been used to fund a project as of June 30, 2007. The City has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses), as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The City applies expenses for restricted resources first when both restricted and unrestricted net assets are available.

The general fund is the major operating fund of the City. It accounts for all financial resources not required to be accounted for in another fund. All governmental funds use the modified accrual basis of accounting (i.e., revenues are recognized when they become measurable and available as net current assets; expenditures are recognized when the related fund liability is incurred). Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due.

Special revenue funds follow the same principles as the general fund, but account for legally restricted revenues such as dedicated property tax. When the special revenues cease, the fund is closed to the fund responsible for continuing operations.

Capital projects funds account for the construction of assets funded by bonds, or for the accumulation of funds to replace major equipment.

Enterprise funds are used to account for operations which are financed and operated like a private business, where the governing body intends to finance the costs of providing services to the general public through user charges. The accrual basis of accounting is used (i.e., revenues are recognized when earned; expenses are recognized when incurred).

Only the current portion of long-term liabilities is included in governmental funds. The purchase of fixed assets is recorded in governmental funds, so no depreciation appears on the fund financial statements. GASB 34 requires the capitalization of roads, bridges, and sidewalks (infrastructure), for the government-wide financial statements. This was estimated based on an inventory made by the Technology Transfer Center at Utah State University when GASB34 was implemented.

All fixed assets greater than \$3,000 are valued at historical cost, except donated assets, which are valued at estimated fair market value on the date donated (primarily streets, water, and sewer systems dedicated by developers).

All enterprise funds are accounted for on a cost of services, or "capital maintenance," measurement focus. This means that long-term assets and debts are included on their balance sheets.

Depreciation is calculated on a straight line basis. One-half year depreciation is taken in the year the asset is placed in service. No depreciation is calculated for the year the asset is disposed of. When assets are transferred, all depreciation is charged to the department receiving the asset. Estimated useful lives are:

Sewer & Water Systems	50 years
Roads	20 years
Buildings & improvements	10 -50 years
Equipment	3-20 years

Annual budgets are adopted by the City Council on or before June 22 for the following fiscal year. Budgets may be increased by resolution of the City Council at any time during the fiscal year following a public hearing.

Property taxes are collected by Cache County and remitted monthly. Real property taxes are due and payable on November 30 of each year. Personal property taxes are collected and remitted to the City monthly.

For the purposes of the Statement of Cash Flows, the business-type activities consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Bond issuance costs are deferred and amortized over the life of the bonds using the straight line method. Issuance costs are reported as deferred charges.

The preparation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

During the fiscal year, purchase orders are booked as expenditures when issued. There were no purchase orders authorized but not invoiced at June 30, 2007. Also, purchase commitments exceeding \$1,000 for which no invoice was actually received before the cut-off date for accounts payable are accrued each month and at year end.

## Reconciliation of government-wide and fund financial statements

### A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental funds type balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental funds type balance sheets.

#### Capital related items:

When capital assets (property, plant, & equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$18,402,323
Accumulated depreciation	<u>(9,541,437)</u>
Total difference	<u>\$ 8,860,886</u>

#### Long-term liabilities:

Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements.

Principal portion of bonds and leases \$	(1,488,841)
Bond issue costs, net of amortization	10,340
Compensated absences	<u>(118,175)</u>
	<u>\$ (1,596,676)</u>

### B. Explanation of differences between governmental fund operating statements and the statement of net activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$1,012,009
Loss on disposal of fixed assets	(492,098)
Depreciation expense	<u>(769,494)</u>
Net difference as reported	<u>\$ (249,583)</u>

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	\$215,000
Repayment of capital lease principal	48,630
Change in accrued compensated absences	(1,079)
Amortization of bond issuance costs	<u>(940)</u>
	<u>\$ 261,611</u>

### **Note 3: Cash & investments**

#### **Deposits and Investments**

Deposits and investments for the City are governed by the Utah Money management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the City's exposure to various risks related to its cash management activities.

#### **Custodial Credit Risk**

*Deposits.* Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2007, \$416,171 of the City's bank balances of \$659,962 were uninsured and uncollateralized.

#### **Credit Risk**

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The City is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2007, the City had investments of \$2,205,974 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

### Note 4: Accounts receivable

The City has accounts receivable as of June 30, 2007, as follows:

Garbage and Dispatch fee	\$ 58,346 (net of \$3,028 allowance)
Water	93,053 (net of \$8,173 allowance)
Sewer	54,007 (net of \$4,009 allowance)
Stormwater	14,414 (net of \$1 allowance)
Property tax	823,301
Court	108,398 (net of \$20,178 allowance)
Sales tax	153,561
RAPZ grant	45,000
Energy Use tax	23,686
State fire grant	11,197
Class C Road funds	<u>59,041</u>
Total	<u>\$ 1,444,004</u>

### Note 5: Utility users

As of June 30, 2007, the number of utility users were:

	Residential	Commercial
Water	1,872	85
Sewer	1,728	135
Garbage	1,755	125
Dispatch	2,027	199

Water rates:

\$1.57 per thousand gallons, plus:

Meter size	Fee
¾ or 1	7.11
1 ½	10.34
2	14.22
3	29.09
4	54.29
5	135.74



Sewer rates:

\$1.15 per thousand gallons winter water usage, plus:

Water meter size	Fee
¾ or 1	13.00
1 ½	17.88
2	24.38
3	48.75
4	89.38
5	221.00

Stormwater rates:

Residential & Commercial	3.50
Multi-family	2.00

Garbage rates:

Residential 90 gallon	17.40
Residential 60 gallon	15.15
Green Waste	4.00
Commercial	\$1.15 plus \$6.20 per cubic yard of container

Dispatch rates:

All	\$2.00
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**Note 6: Insurance & bond coverages**

As of June 30, 2007, insurance and bond coverage's are as follows:

Type	Insurer	Limit	Expires
Comprehensive general Liability	The St Paul	\$1,000,000	7/1/07
Errors and omissions	The St Paul	1,000,000	7/1/07
Law enforcement Liability	The St Paul	1,000,000	7/1/07
Automobiles – liability	The St Paul	1,000,000	7/1/07
Buildings & Contents	The St Paul	9,918,800	7/1/07
Treasurer position bond	Kemper	40,000	2/1/08
Mayor & Treasurer Bonds	Western Surety	424,710	6/26/08

Blanket employee bond	Allied Insurance	10,000	4/1/08
Treasurer position bond	Hartford	346,000	11/16/07

**Note 7: Overexpended budget**

The following departments within the General Fund overexpended their budgets:

Sanitation	3,695
Cemetery	402
Debt service	167

**Note 8: Long-term debt**

Long-term debt at June 30, 2007, consists of the following:

Water fund:	7/1/06	Principal Paid	6/30/07	Due in 1 yr
US Bank Trust; \$2,495,000 due in annual installments ranging from \$50,000 to \$780,000 per year plus interest ranging from 3.10% to 4.70%	1,975,000	130,000	<u>1,845,000</u>	135,000
Total water fund			<u>\$1,845,000</u>	
Sewer fund:				
GMAC; \$1,000,000 Due in monthly Installments of \$4,830 including interest at 5.00%	600,281	25,007	575,274	29,353
GMAC; \$560,000 Due in annual Installments of \$32,911 including interest at 5.00%	338,746	15,973	<u>322,773</u>	16,774
Total sewer fund			<u>\$898,047</u>	

General fund:

National City Commercial Capital;

Fire Truck, \$566,535 due in

Annual installments

Of \$56,653 including interest	102,471	48,630	53,841	0
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US Bank; road

Construction,

\$1,070,000 due in

annual installments

ranging from \$90,000

to \$130,000 plus

interest ranging from

4.00% to 4.75%	255,000	125,000	<u>130,000</u>	130,000
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Total general fund

\$ 183,841

Library fund:

US Bank; library,

\$2,000,000 due in

annual installments

ranging from \$75,000

to \$680,000 plus

interest ranging from

4.85% to 5.00%	1,395,000	90,000	1,305,000	95,000
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Total Library fund

\$1,305,000

Assets have been restricted and retained earnings reserved to meet bond sinking fund requirements. The City is in compliance with all significant bond requirements.

The capital lease for a fire truck purchased on January 1, 1998 has an asset value of \$568,841 with accumulated depreciation of \$322,343 as of 6/30/07.

The annual requirements to amortize long-term debt outstanding as of June 30, 2006, are as follows:

<u>June 30</u>	<u>Lease Principal</u>	<u>Lease Interest</u>	<u>Bond Principal</u>	<u>Bond Interest</u>
2008	53,841	2,812	405,108	196,698
2009			288,269	177,627
2010			295,757	164,808
2011			308,374	151,529
2012			326,126	137,370
2013			339,019	122,082
2014			357,062	106,184

2015		375,261	89,187
2016		393,626	71,057
2017		412,164	52,041
2018		435,885	32,130
2019		79,798	11,072
2020		<u>161,598</u>	<u>5,556</u>
Totals	\$ <u>53,841</u>	\$ <u>2,812</u>	\$ <u>4,178,047</u>
			\$ <u>1,317,341</u>

#### **Note 9: Retirement Systems**

##### **Plan Description**

The City contributes to the Local Government Contributory Retirement System, the Local Government Noncontributory Retirement System, the Public Safety Contributory Retirement System, and the Public Safety Noncontributory Retirement System for employers with Social Security coverage. All of these are cost-sharing, multiple-employer defined benefit pension plans administered by the Utah Retirement Systems, which provides retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing the Utah Retirement Systems, 540 E 200 S, Salt Lake City UT 84102 or by calling 1-800-365-8772.

##### **Funding Policy**

Rates	Paid by Employer for		
	<u>Employee</u>	<u>Employer</u>	<u>401(k)</u>
Local Gov't Contributory	6.00	7.58	0
Local Gov't Noncontributory	0	11.59	1.99
Public Safety Contributory	12.29	11.01	0
Public Safety Noncontributory	0	22.38	0.92
Firefighters	10.84	0	0
Contributions	<u>6/30/2007</u>	<u>6/30/2006</u>	<u>6/30/2005</u>
Local Gov't Contributory	9,234	8,617	8,470
Local Gov't Noncontributory	93,343	91,019	86,840
Public Safety Contributory	45,519	37,035	40,400
Public Safety Noncontributory	11,774	8,189	5,605
Firefighters	5,296	1,097	0

One employee previously retired under the Public Safety Contributory plan. The Police chief retired November 30, 2003, under the Public Safety Noncontributory plan but continues to work. The City pays 23.3% of their salary to a 401K plan. Payments for 2007 totaled \$36,984.

The Firefighters category was set up after a full time fire chief was hired in fiscal year 2006. The previous fire chief was classified as Local Gov't Noncontributory.

No contribution is made for covered part-time employees who do not qualify for other benefits.

**Note 10: Changes in Fixed Assets**

General fixed asset changes occurring for the year ended June 30, 2007, are as follows:

	<u>7/1/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/07</u>
Land	\$2,251,342	\$ 96,652	\$ 248,082	\$2,099,912
Water shares	58,169			58,169
Buildings	2,147,761	126,418		2,274,179
Library	344,414			344,414
Police	275,967	81,306		357,273
Fire	1,050,456	72,616		1,123,072
Streets	605,171	166,263	107,178	664,256
Parks	185,562	60,561		246,123
Facilities	50,437	4,629		55,066
Inspection	111,646			111,646
Administrative	6,529			6,529
Executive	38,058	4,808		42,866
Planner	9,855			9,855
Court	3,453		3,453	--
Cemetery	--	43,623		43,623
Road System	<u>12,508,361</u>	<u>355,133</u>	<u>1,898,154</u>	<u>10,965,340</u>
Total assets	<u>19,647,181</u>	<u>1,012,009</u>	<u>2,256,867</u>	<u>18,405,323</u>
Accumulated depreciation	<u>(10,536,712)</u>	<u>(769,494)</u>	<u>(1,764,769)</u>	<u>(9,541,437)</u>
Net assets	<u>\$ 9,110,469</u>	<u>\$ 242,515</u>	<u>\$ 492,098</u>	<u>\$8,860,886</u>

Enterprise fund changes were as follows:

Water:				
Land	\$ 10,301	\$ 300,000	\$	\$ 310,301
Water shares	16,159			16,159
System	7,588,251	93,347		7,681,598
Buildings	--	2,042		2,042
Equipment	525,720	49,311		575,031
Accumulated depreciation	<u>(2,639,623)</u>	<u>(174,376)</u>		<u>(2,813,999)</u>
Net assets	<u>\$5,500,808</u>	<u>\$ 270,324</u>	<u>\$</u>	<u>\$5,771,132</u>
Sewer:				
Land	\$ 850	\$	\$	\$ 850
System	4,627,932	59,507		4,687,439
Equipment	261,143	3,000		264,143
Accumulated depreciation	<u>(1,960,884)</u>	<u>(94,331)</u>		<u>(2,055,215)</u>
Net assets	<u>\$2,929,041</u>	<u>\$ (31,824)</u>	<u>\$</u>	<u>\$2,897,217</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 7,773
Public safety	130,210
Streets	549,482
Parks & recreation	81,636
Community development	<u>393</u>
	<u>\$769,494</u>

**Note 11: Segment Information for Enterprise Funds**

Net working capital for the water and sewer enterprise funds is calculated as follows:

	Water	Sewer
Current Assets:		
Cash	\$518,933	\$ 179,532
Receivables	93,053	54,007
Current Liabilities:		
Accounts payable	(34,550)	(69,210)
Current portion Long-term debt	<u>(135,000)</u>	<u>(46,127)</u>
Net Working Capital	<u>\$442,436</u>	<u>\$118,202</u>

**Note 12: Risk Management**

In addition to the insurance coverage in Note 6, workers compensation is carried through the Utah Local Government Trust. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**Note 13: Compensated Absences**

Most employees earn paid vacation and sick days each month based on length of service. Also, if sick time is not used during the calendar year, up to 32 hours can be converted to vacation time at December 31. In addition, some employees are still owed for compensatory time in lieu of overtime pay from previous years. Vacation hours in excess of two years earnings not used before November 1 are forfeited. The termination method was used to accrue compensated absences of \$118,175 in the General Fund. All vacation hours and all compensatory time hours would be paid on termination. Only 10% of sick hours would be paid. Sick hours excluded amounts to \$232,665. Based on past experience 20% of sick hours would be used in a year.

**Note 14: Memorandum Totals**

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**SUPPLEMENTAL SECTION**



**NORTH LOGAN CITY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2007**  
**With Comparative Totals for June 30, 2006**

	<u>Capital Projects</u>	<u>Total Nonmajor Governmental 2007</u>	<u>2006</u>
<b>ASSETS</b>			
Restricted cash	\$ 59,403	\$ 59,403	\$ 27,012
Total assets	<u>\$ 59,403</u>	<u>\$ 59,403</u>	<u>\$ 27,012</u>
<b>LIABILITIES &amp; FUND BALANCE</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ -
Accrued expenses	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances:</b>			
<b>Unreserved:</b>			
Capital projects funds	<u>59,403</u>	<u>59,403</u>	<u>27,012</u>
Total fund balances	<u>59,403</u>	<u>59,403</u>	<u>27,012</u>
Total liabilities & fund balances	<u>\$ 59,403</u>	<u>\$ 59,403</u>	<u>\$ 27,012</u>

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2007**  
**With Comparative Totals for June 30, 2006**

	Capital Projects	Total Nonmajor Governmental 2007	2006
<b>REVENUES</b>			
Charges for services	\$ -	\$ -	\$ -
Other	8,387	8,387	-
	<u>8,387</u>	<u>8,387</u>	<u>-</u>
Total revenues	<u>8,387</u>	<u>8,387</u>	<u>-</u>
<b>EXPENDITURES</b>			
Current operations:			
General government	39,907	39,907	24,366
Public safety	48,572	48,572	32,161
Streets	177,017	177,017	159,331
Parks and recreation	-	-	-
	<u>265,496</u>	<u>265,496</u>	<u>215,858</u>
Total expenditures	<u>265,496</u>	<u>265,496</u>	<u>215,858</u>
Net change in fund balances	(257,109)	(257,109)	(215,858)
Transfers in (out)	289,500	289,500	242,870
Fund balances-beginning	<u>27,012</u>	<u>27,012</u>	<u>-</u>
Fund balances-ending	<u>\$ 59,403</u>	<u>\$ 59,403</u>	<u>\$ 27,012</u>

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY**  
**NONMAJOR PROPRIETARY FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**  
**With Comparative Totals for June 30, 2006**

	<u>Storm water</u>	<u>Total Nonmajor Proprietary</u>	
		2007	2006
<b>ASSETS</b>			
Accounts receivable	\$ 14,414	\$ 14,414	\$ -
Total current assets	<u>\$ 14,414</u>	<u>\$ 14,414</u>	<u>\$ -</u>
<b>LIABILITIES &amp; NET ASSETS</b>			
Liabilities:			
Cash allocation	\$ 19,259	\$ 19,259	\$ 52,067
Accounts payable	<u>1,838</u>	<u>1,838</u>	<u>-</u>
Total current liabilities	<u>21,097</u>	<u>21,097</u>	<u>52,067</u>
<b>NET ASSETS</b>			
Unrestricted:			
Storm water	<u>(6,683)</u>	<u>(6,683)</u>	<u>(52,067)</u>
Total net assets	<u>(6,683)</u>	<u>(6,683)</u>	<u>(52,067)</u>
Total liabilities & net assets	<u>\$ 14,414</u>	<u>\$ 14,414</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY**  
**NONMAJOR PROPRIETARY FUNDS**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND NET ASSETS**  
**YEAR ENDED JUNE 30, 2007**  
**With Comparative Totals for June 30, 2006**

	<u>Storm Water</u>	<u>Total Nonmajor Proprietary 2007</u>	<u>2006</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 120,405	\$ 120,405	\$ -
Other	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>120,405</u>	<u>120,405</u>	<u>-</u>
<b>OPERATING EXPENSES</b>			
Wages and benefits	7,492	7,492	-
Professional fees	7,255	7,255	800
Repairs and maintenance	5,935	5,935	1,356
Other	43,551	43,551	41,205
Facilities	<u>8,467</u>	<u>8,467</u>	<u>8,352</u>
Total operating expenses	<u>72,700</u>	<u>72,700</u>	<u>51,713</u>
Operating loss	47,705	47,705	(51,713)
<b>NON-OPERATING EXPENSES</b>			
Interest expense	<u>(2,321)</u>	<u>(2,321)</u>	<u>(354)</u>
Total non-operating expenses	(2,321)	(2,321)	(354)
Change in net assets	45,384	45,384	(52,067)
Net assets-beginning	<u>(52,067)</u>	<u>(52,067)</u>	<u>-</u>
Net assets-ending	<u>\$ (6,683)</u>	<u>\$ (6,683)</u>	<u>\$ (52,067)</u>

The notes to the financial statements are an integral part of this statement.

**NORTH LOGAN CITY**  
**NONMAJOR PROPRIETARY FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2007**  
**With Comparative Totals for June 30, 2006**

	NON MAJOR PROPRIETARY	MEMORANDUM TOTALS	
		2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 105,991	\$ 105,991	\$ -
Payments to suppliers	(70,862)	(70,862)	(51,713)
Payments to employees	-	-	-
Net cash used by operating activities	<u>35,129</u>	<u>35,129</u>	<u>(51,713)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Interest paid on capital debt	(2,321)	(2,321)	(354)
Purchases of capital assets	-	-	-
Capital contributions	-	-	-
Net cash used by capital and related financing activities	<u>(2,321)</u>	<u>(2,321)</u>	<u>(354)</u>
Net increase (decrease) in cash and cash equivalents	32,808	32,808	(52,067)
Cash and equivalents at beginning of year	<u>(52,067)</u>	<u>(52,067)</u>	<u>-</u>
Cash and equivalents at end of year	<u><u>\$ (19,259)</u></u>	<u><u>\$ (19,259)</u></u>	<u><u>\$ (52,067)</u></u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 47,705	47,705	(51,713)
Adjustments to reconcile net income from operations to net cash provided by operating activities:			
Depreciation/amortization	-	-	-
Changes in assets & liabilities:			
Decrease (increase) in receivables	(14,414)	(14,414)	-
Increase (decrease) in accruals	1,838	1,838	-
Miscellaneous expense	-	-	-
Total adjustments	<u>(12,576)</u>	<u>(12,576)</u>	<u>-</u>
Net cash provided (used) by operating activities:	<u><u>\$ 35,129</u></u>	<u><u>\$ 35,129</u></u>	<u><u>\$ (51,713)</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF NORTH LOGAN**  
**SUPPLEMENTAL SCHEDULE**  
**SCHEDULE OF IMPACT FEES**

	2003	2004	2005	2006	2007
<b>Beginning Balance:</b>					
Impact Fees - Road	\$ 33	\$ 28,158	\$ 137,420	\$ 2,262	\$ 119,803
Impact Fees - Parks	19	16,122	70,301	69,095	153,511
Impact Fees - Water	-	151,839	360,670	-	13,323
Impact Fees - Sewer	-	38,707	90,335	104,895	-
<b>Additions:</b>					
Impact Fees - Road	58,485	125,292	143,666	178,389	127,979
Impact Fees - Parks	39,984	58,310	113,589	111,804	189,132
Impact Fees - Water	150,336	212,755	145,882	241,187	226,586
Impact Fees - Sewer	38,324	67,478	59,086	102,730	102,097
<b>Interest:</b>					
Impact Fees - Road	142	2,051	5,189	2,376	6,429
Impact Fees - Parks	365	916	3,761	3,267	8,544
Impact Fees - Water	1,503	-	5,745	93	953
Impact Fees - Sewer	383	-	3,171	768	1,213
<b>Deletions:</b>					
Impact Fees - Road	(30,502)	(18,081)	(284,013)	(63,224)	(129,658)
Impact Fees - Parks	(24,246)	(5,047)	(118,556)	(30,655)	(298,314)
Impact Fees - Water	-	(3,924)	(512,297)	(227,957)	(93,347)
Impact Fees - Sewer	-	(15,850)	(47,697)	(208,393)	(59,507)
<b>Ending Balance:</b>					
Impact Fees - Road	28,158	137,420	2,262	119,803	124,553
Impact Fees - Parks	16,122	70,301	69,095	153,511	52,873
Impact Fees - Water	151,839	360,670	-	13,323	147,515
Impact Fees - Sewer	38,707	90,335	104,895	-	43,803
	<u>\$ 234,826</u>	<u>\$ 658,726</u>	<u>\$ 176,252</u>	<u>\$ 286,637</u>	<u>\$ 368,744</u>

Impact fees have been used for the following capital projects: new water lines, new road improvements, and sewer system. Future expenses for impact fees include new parks, new road improvements and bridges, and water system improvements.

The notes to the financial statements are an integral part of this statement.



Peterson  
Allred  
Jackson

■ Certified Public Accountants  
Business Consultants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

Honorable Mayor and City Council  
North Logan City  
North Logan, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the North Logan City, Utah (the City) as of and for the year ended June 30, 2007, which collectively comprise the City of North Logan's basic financial statements and have issued our report thereon dated September 4, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of North Logan's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of North Logan in a separate letter dated September 4, 2007.

This report is intended for the information of the City Council and management, and certain legislative bodies and is not intended to be and should not be used by anyone other than these specified parties.



September 4, 2007





Peterson  
Allred  
Jackson

■ Certified Public Accountants  
Business Consultants

## INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and City Council  
North Logan City  
North Logan, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the North Logan City, Utah (the City), for the year ended June 30, 2007, and have issued our report thereon dated September 4, 2007. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special test and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2007. The City received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

The City also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of the City of North Logan's financial statements.)

Public Library Development Grant (Department of Community and Economic Development)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Compliance Audit Guide, including:

Public Debt	Justice Courts
Cash Management	B & C Road Funds
Purchasing Requirements	Liquor Law Enforcement
Budgetary Compliance	Other General Issues
Truth in Taxation and	Impact fees
Property Tax Limitations	Uniform Building Code Standards

The management of the City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the North Logan City, Utah, complied, in all material respects, with the general compliance requirements identified above, and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2007.

Peterson Alfred Jackson

September 4, 2007



Peterson  
Allred  
Jackson

▪ Certified Public Accountants  
Business Consultants

September 4, 2007

Honorable Mayor and City Council  
North Logan City  
North Logan, Utah

Dear Mayor Watkins:

In planning and performing our audit of the financial statements of the North Logan City, UT (the City) as of and for the year ending June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified other matters that we have communicated in writing to management that are listed below.

## **CURRENT YEAR FINDINGS**

### **Finding 2007-1: Audit Adjustments (control deficiency)**

While conducting the audit we made several audit adjustments. Most significant of these adjustments were to record a general fund capital disposition, adjust restricted equity, and reclassify an outstanding deposit. Management did not originally identify these adjustments but the City does have a system in place to record adjustments on a regular basis.

### **Recommendation:**

Yearly audit adjustments are typically repeated each year. Consequently, we recommend that prior to audit fieldwork you review and adjust for such transactions to ensure the current year organizational financial statements reflect the correct year end balances.

### **Management response:**

Management has a budget system somewhat separate from the city's official accounting records. That system can be easily used to review organizational financial statements just prior to the auditor's work. In the future such a review will be accomplished each year prior to the annual audit to provide a crosscheck between the budget system and the organizational financial statements.

### **Finding 2007-2: Unreserved fund balance (State Compliance)**

The State requires that cities must maintain an unreserved general fund balance of at least 5% and not to exceed 18%. The City had an unreserved general fund balance of 19% as of June 30, 2007.

### **Recommendation:**

Establish a plan to reduce the unreserved general fund balance by approximately \$62,000.

### **Management response:**

The fiscal year 2008 budget currently established shows a projected unrestricted fund balance of about 17% with plans to reduce that after the first of the calendar year. Great care has been taken to avoid going below the allowed fund balance range, especially by being conservative in projected revenue. The majority of the unexpected increase in the unreserved fund balance at the end of the fiscal year came from higher revenues than anticipated.

### **Finding 2007-3: Budgetary Compliance (State Compliance)**

During our review of the budget to actual for the departments of the City, we became aware that three department's actual expenditures exceeded the appropriations.

### **Recommendation:**

We recommend that the City monitor expenditures closely and provide for expenditures for goods and services received prior to the fiscal year end with payment to be made subsequent to the year-end.

### **Management response:**

There were three departments overspent during FY2007 and all of those, in management's opinion, were very insignificant in their impact on the city.

The first over budget area was trash collection payments to Logan City. The over-payment was about \$3,600 out of a total budget of \$600,000 (just over half of 1%). Near the end of the fiscal year is a common time for increased numbers of new homes being built and hence new trash collection services

are often underestimated. Management will attempt to more accurately estimate the last month's trash collection payments each year.

The second over-budget department was Cemetery where about \$700 worth of materials for a new sprinkler system was ordered near the end of June rather than after the first of July. Management has advised the responsible department head to take more care in ordering materials near the end of the fiscal year and make sure such orders are within budget.

The third over-budget item resulted from a miscalculation on a road bond payment. The budgeted figure was in error by less than one-tenth of 1%.

Management will continue to monitor expenditures closely, especially near the end of the fiscal year.

**Finding 2007-4: Deficit fund balance (State Compliance)**

The City had a deficit fund balance in the stormwater fund as of 6/30/07.

**Recommendation:**

Develop a plan to eliminate the deficit fund balance by bringing in excess revenues over expenditures by approximately \$7,000 during the 2007-2008 fiscal year.

**Management response:**

This relatively new fund was anticipated to have a positive fund balance by the end of fiscal year 2008 and the current FY2008 budget shows that it does that.

**Finding 2007-5: Cash deposits (State Compliance)**

The City did not deposit funds received within three days in one of our sampled test items.

**Recommendation:**

Continue striving to deposit funds within the required three day limit.

**Management response:**

The city staff's memory is that there was one day when a deposit got to the bank after 2:00 p.m. and would have therefore been credited the next day. It is very rare that deposits are not made within 24 hours. Management will continue to monitor this requirement but anticipates that this was an isolated occurrence not requiring any specific change in procedures.

**Finding 2007-6: Quarterly Building permit reports (State Compliance)**

The City did not remit one of the quarterly building permit reports within 30 days of the end of the quarter.

**Recommendation:**

Remit all reports within the required time frame.

**Management response:**

The one late report was due to a changeover in personnel. Management will continue to monitor this requirement but does not anticipate the need to make any specific change in procedures.

**Finding 2007-7: Documentation (other matters)**

The City could not find documentation to support a deposit made by a customer for utility services.

**Recommendation:**

Maintain and file all documentation for utility customers in an orderly manner.

**Management response:**

Again the loss of a customer sign-in form was most likely due to a change in personnel. The City's morning secretary/receptionist position changed three times in a two month period and some information and training did not pass well from one person to the next and evidently there were some things that "fell through the crack". Management will continue to monitor this requirement but does not anticipate the need to make any specific change in procedures.

**PRIOR YEAR FINDINGS**

**Finding 2006-1:** *Budgetary Compliance (state compliance)*

During our review of the budget to actual for the departments of the City, we became aware that two department's actual expenditures exceeded the appropriations.

**Recommendation:**

We recommend that the City continue to monitor expenditures closely and provide for expenditures for goods and services received prior to the fiscal year end with payment to be made subsequent to the year-end.

**Management response:**

There was a significant improvement in this area this year. While seven departments overspent last year, there were only two overspent this year and both of those, in management's opinion, were very insignificant in their impact on the city.

*Sanitation:* This "department" was overspent by only \$148 out of about \$480,000 or about three one hundredths of a percent. The only expenditure in this department is the monthly payment made to Logan City for trash collection. City staff tries to be as accurate as possible in estimating this payment and as can be seen they were very close to estimating what the actual payment would be. Rather than "padding" this areas in the budget in the future, the staff will continue to monitor this monthly payment closely to make sure North Logan is paying only what it truly owes to Logan City and continue to be as accurate as possible in predicting this expenditure for budgetary purposes.

*Transfer:* The other "over budget" area was Transfers. The overage of \$156,555 does not represent a true over expenditure but rather a misunderstanding about how best to account for some library bond money and how it should have been represented in the final version of the budget. This should be a one-time action and once corrected through this audit process it should not be an area of concern in the future. Management recommends no additional action be taken.

**Status:** Two departments exceeded appropriations for the year. See current year finding.

**Finding 2006-2:** *Justice court (state compliance)*

The City did not remit three of their monthly reports to the State by the 10<sup>th</sup> of the month.

**Recommendation:**

Prepare all applicable reports on a timely basis to meet the required deadline.

**Management response:**

The court clerk and the judge have been advised again of the need to expedite this report because of the extremely short time frame the financial staff has to process the payment associated with the report. Management will continue to monitor the reports as they are submitted.

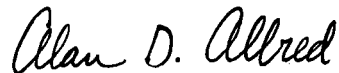
**Status:**

All reports were submitted within the proper timeframe.

In conclusion, we wish to recognize Jeff Jorgensen and Tom Northenor for the excellent services provided to North Logan City. They have been most cooperative in assisting us in the performance of the audit for the 2007 fiscal year. The performance of the North Logan City annual fiscal year audit has been an enjoyable experience for us and we would like to thank the City for the opportunity to serve as independent auditors.

Very truly yours,

PETERSON ALLRED JACKSON

A handwritten signature in cursive script that reads "Alan D. Allred".

Alan D. Allred, CPA